

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

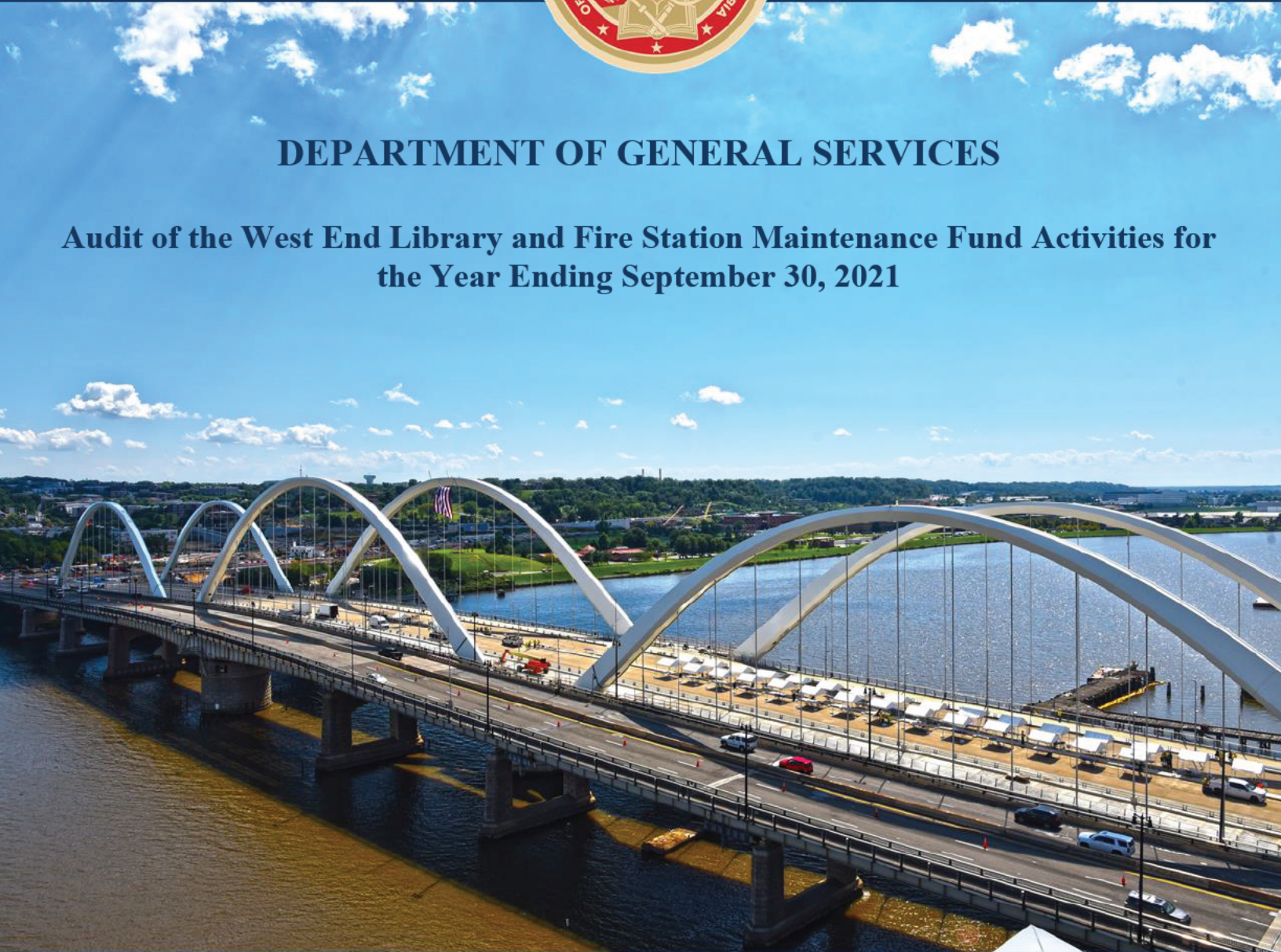
OIG Project No. 22-1-06MA

May 2022



DEPARTMENT OF GENERAL SERVICES

Audit of the West End Library and Fire Station Maintenance Fund Activities for the Year Ending September 30, 2021



Guiding Principles

*Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation
* Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration
* Diversity * Measurement * Continuous Improvement*

Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership





Executive Summary

Audit of the West End Library and Fire Station Maintenance Fund Activities for the Year Ending September 30, 2021

WHY WE DID THIS AUDIT

D.C. Code § 1-325.181(e) requires the Office of the Inspector General (OIG) to conduct, on an annual basis, an audit of the West End Library and Fire Station Maintenance Fund (Maintenance Fund) and transmit the audit report to the Mayor and Council of the District of Columbia no later than 90 days after the close of the fiscal year.

OBJECTIVES

Our objectives were to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately; and (2) identify any Maintenance Fund expenditures that were not permitted under the law.

WHAT WE FOUND

From October 1, 2020, to September 30, 2021, the Office of Tax and Revenue (OTR) within the Office of the Chief Financial Officer (OCFO) deposited \$352,125 in deed transfer and recordation tax revenue into the Maintenance Fund for Fiscal Year (FY) 2021. DGS also recorded \$1,341 in interest revenue into the Maintenance Fund for FY 2021.

During the period audited, the Department of General Services (DGS) incurred \$201,806 for West End Library and Fire Station maintenance expenditures. However, DGS did not always timely review and approve budgets and invoices or receive annual statements to ensure Maintenance Fund expenditures' accuracy and completeness as recommended by the OIG in November 2020.

DGS provided the OIG with standard operating procedures (SOPs) as part of its response to the three prior year recommendations (Recommendations 3, 4, and 5). However, our review of the SOPs indicated that DGS' additional actions did not meet the intent of the recommendations. On April 27, 2022, following a meeting with the OIG, DGS agreed to update the SOPs and plans to hold a training session in May 2022 to ensure all affected parties understand the policies and comply with the requirements described in the Property Maintenance Agreement (PMA).

Executive Summary

Finally, in accordance with the “*Fiscal Year 2021 Revised Local Budget Adjustment Emergency Act of 2021*”, Act 24-160, Sec. 5 (expired Nov. 21, 2021)(Emergency Act 24-160) the Chief Financial Officer transferred \$222,678 from the Maintenance Fund to the unassigned fund balance of the General Fund of the District of Columbia. The Maintenance Fund balances were \$2,155,761 and \$2,226,778 as of September 30, 2021, and September 30, 2020, respectively.

WHAT WE RECOMMEND

The OIG continues to report three findings and recommendations made to DGS in FY 2020 as open and unresolved. The recommendations were for DGS to implement management oversight activities to ensure that DGS proactively manages the Maintenance Fund according to the provisions set forth by the enabling legislation and the PMA.

MANAGEMENT RESPONSE

DGS has previously concurred with the three recommendations made in the report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



May 25, 2022

Keith A. Anderson
Department of General Services
2000 14th Street, N.W., 8th Floor
Washington, D.C. 20009


Dear Director Anderson:

Enclosed is our final report, *Audit of the West End Library and Fire Station Maintenance Fund Activities for the Year Ending September 30, 2021* (OIG No. 22-1-06MA). Our audit objectives were to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately; and (2) identify any Maintenance Fund expenditures that were not permitted under the law. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). The audit was included in our *Fiscal Year 2022 Audit and Inspection Plan*.

The OIG will not issue additional recommendations to address the repeated findings discussed in this report, but will continue to report Recommendations 3, 4, and 5, as previously reported in the [Maintenance Fund report](#) dated November 19, 2020, as open and unresolved. Accordingly, the OIG will not need to solicit management comments on this report. The open and unresolved findings and recommendations are included in their entirety in Appendix C of this report.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Mr. Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/cmw

Enclosure

cc: See Distribution List

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BACKGROUND

The Council of the District of Columbia enacted the West End Parcels Development Omnibus Act of 2010 (West End Act or Act), effective February 4, 2011, which authorized the District of Columbia Board of Library Trustees and the District of Columbia Fire and Emergency Medical Services Department (FEMS) to procure services for the design, development, and construction of a new library and fire station. The West End Library was to be built in Square 37 and the West End Fire Station in Square 50, both located in the District's West End neighborhood.

The West End Act also established a West End Library and Fire Station Maintenance Fund (Maintenance Fund). The Maintenance Fund was created as a mechanism for the District to pay for supplemental expenses and maintenance, insurance, and capital replacement for the West End Library and West End Fire Station. According to the Act, the Maintenance Fund is to be funded by "85% of the Deed Transfer and Recordation taxes attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37," and the purpose of the Maintenance Fund is to ensure both the West End Fire Station and West End Library are "maintained in a manner that is consistent with the high-quality conditions of the larger buildings of which they are a part."

The Council of the District of Columbia enacted the West End Parcels Development Omnibus Amendment Act of 2016, effective March 11, 2017, which assigned joint management responsibility for the Maintenance Fund to the Department of General Services (DGS) and the District of Columbia Public Library (DCPL). DGS and DCPL entered into a Memorandum of Agreement (MOA) in March 2018, which further refined each agency's responsibilities pertaining to the use and management of the Maintenance Fund. Through amendments, the term of the agreement was subsequently extended to September 30, 2021.

The OIG is required to conduct an annual audit of the Maintenance Fund and transmit the report to the Mayor and the Council of the District of Columbia no later than 90 days after the close of the fiscal year.

The objectives of this audit were to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately; and (2) identify any Maintenance Fund expenditures that were not permitted under the law. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). Additional details on the objectives, scope, and methodology are available in Appendix A.

FINDINGS

Revenue Deposited into the West End Library and Fire Station Maintenance Fund

From October 1, 2020, to September 30, 2021, the Office of Tax and Revenue (OTR) within the Office of the Chief Financial Officer (OCFO) deposited \$352,126 in deed transfer and recordation tax revenue into the West End Maintenance Fund for fiscal year (FY) 2021. Interest revenue was also earned for the FY in the amount of \$1,341, bringing total revenue for the year to \$353,467, as shown in Table 1 below.

Table 1. Fund Revenue

FY 2021 Monthly Tax Revenue and Total Interest	Amount
December	\$44,617
January	\$78,387
July	\$109,693
August	\$119,429
Deed Transfer and Recordation Revenue	\$352,126
Interest Revenue	\$1,341
Total Revenue	\$353,467

Source: OIG Analysis of OTR Financial Records

Expenditures from the West End Library Maintenance Fund

DGS and DCPL records indicated that the total West End Library Maintenance Fund expenditures for the period of October 1, 2020, to September 30, 2021, were \$78,456, as shown in Table 2 below.

Table 2. West End Library Maintenance Expenditures

FY 2021 Monthly Expense	Amount
October	\$6,538
November	\$6,538
December	\$6,538
January	\$6,538
February	\$6,538
March	\$6,538
April	\$6,538
May	\$6,538
June	\$6,538
July	\$6,538
August	\$6,538
September	\$6,538
Total	\$78,456

Source: OIG Analysis of DGS Financial Records

Expenditures from the West End Fire Station Maintenance Fund

DGS and FEMS records indicated that the total West End Fire Station Maintenance Fund expenditures for the period of October 1, 2020, to September 30, 2021, were \$123,350, as shown in Table 3 below.

Table 3. West End Fire Station Maintenance Expenditures

FY 2021 Monthly Expense	Amount
October	\$10,279
November	\$10,279
December	\$10,279
January	\$10,279
February	\$10,279
March	\$10,279
April	\$10,279
May	\$10,279
June	\$10,279
July	\$10,279
August	\$10,279
September	\$10,279
Total	\$123,350¹

Source: OIG Analysis of DGS Financial Records

Maintenance Fund Balance

DGS records indicated that the Maintenance Fund balance was \$2,155,761 as of September 30, 2021, as shown in Table 4 below.

Table 4. Maintenance Fund Balance as of September 30, 2021

Descriptions	FY21
Beginning Balance as of October 1, 2020	\$2,226,778
Fund Revenue (Table 1)	\$353,467
Fund Expenditures (Table 2 and 3)	(\$201,806)
Transferred Out-Emergency Legislation ²	(\$222,678)
Ending Fund Balance	\$2,155,761

Source: OIG Analysis of DGS Financial Records

¹ Table does not foot due to rounding. The actual monthly invoice amount was \$10,279.18.

² On August 23, 2021, Council passed Emergency Act 24-160 to transfer \$222,678 from the West End Library and Fire Station Maintenance Fund into the unassigned fund balance of the General Fund of the District of Columbia.

Liabilities of the Maintenance Fund

DGS records indicated that the unpaid liabilities of the Maintenance Fund were \$27,096 as of September 30, 2021, as shown in Table 5 below.

Table 5. Maintenance Fund Liabilities as of September 30, 2021

West End Expenditures Incurred in FY21 but Paid in FY22	Amount³
Library Maintenance Expenditures (Table 2)	\$6,538
Fire Station Maintenance Expenditures (Table 3)	\$20,558
Total Liabilities	\$27,096

Source: OIG Analysis of DGS Financial Records

Assets of the Maintenance Fund

DGS records indicated that the Assets of the Maintenance Fund totaled \$2,182,858 as of September 30, 2021, as shown in Table 6 below.

Table 6. Fund Assets as of September 30, 2021

Asset	FY21
Pooled Cash ⁴	\$2,182,858
Total Assets	\$2,182,858

Source: OIG Analysis of DGS Financial Records

Prior Year Recommendation Implementation Status

DGS provided the OIG with standard operating procedures (SOPs as part of its response to the status of the three prior year recommendations (Recommendations 3, 4, and 5), as reported in the OIG's prior year [Maintenance Fund report](#) dated November 19, 2020.⁵ However, our review of the SOPs indicated that DGS' additional actions did not meet the intent of the recommendations. For example, the SOPs did not include effective dates and signatures. We also noted that DGS has not formalized the SOPs by training responsible staff on the newly developed SOPs.

On April 27, 2022, following a meeting with the OIG, DGS agreed to update the SOPs and plans to hold a training session in May 2022 to ensure all affected parties understand the policies and comply with the requirements described in the PMA.

Below we discuss the repeat conditions in the current audit.

³ Vouchers were approved for payment in full on 10/6/21 for the Fire Station and 10/16/21 for the Library expenditures.

⁴ Cash for the Fund is deposited into a pooled account with the District.

⁵ D.C. OFFICE OF THE INSPECTOR GENERAL, AUDIT OF THE WEST END LIBRARY AND FIRE STATION MAINTENANCE FUND (OIG Project No. 20-1-01MA(b) Nov. 2020).

Budgets Were Not Approved by DGS as Required

- Although DGS received the annual budget for the Fire Station on May 29, 2020, DGS did not approve the annual budget by June 30, 2020, as required by the PMA. Instead, DGS approved the annual budget on August 10, 2020. DGS did not approve the annual budget for the West End Library by June 30, 2020, as required by the PMA. Instead, DGS approved the annual budget on September 14, 2020.

Invoices for West End Library and the Fire Station Were Not Submitted, Reviewed, and Approved for Payments in a Timely Manner

- DGS did not receive all invoices on or before the last day of the month as required by the PMA. For example, on December 31, 2020, DCPL and DGS received an invoice for \$13,076 for West End Library expenditures for October and November 2020, which was paid on January 11, 2021. DGS also received one invoice totaling \$61,675.11 on March 3, 2021, for West End Fire Station expenditures for October 2020 - March 2021. This invoice was paid on March 25, 2021. The delay in invoice processing may impact DGS's ability to review and monitor the charges billed on the invoices in a timely manner.
- Annual statements used to facilitate the review and reconciliation of the budget line items were not provided 60 days after the FY ended, as required by the PMAs for DCPL and the Fire Station. The OIG observed expense line items in the FY 21 budgets for the Fire Station and the Library, which exceeded the allowable percentage increases of 3% and 10%, respectively, and warranted additional detailed explanations in the form of annual statements.

The review and approval of budgets and invoices or receiving annual statements are control mechanisms to ensure the Maintenance Fund is used solely to maintain the West End Library and Fire Station facilities as required by District law. The OIG will not issue additional recommendations to address these repeat conditions, but will continue to report Recommendations 3, 4, and 5 from the prior years' OIG reports as open and unresolved. See Appendix C of this report for recommendation details.

CONCLUSION

The OIG performed the West End Library and Fire Station Maintenance Fund audit covering the period from October 1, 2020, to September 30, 2021. The OIG examined and reported the Fund's assets, liabilities, fund balance, revenue, and expenditures. Our examination of financial and operational records for the Fund's revenue did not disclose any reportable weaknesses or deficiencies in the operating effectiveness of internal control. However, our examination of financial and operational records for the Fund's expenditures identified reportable weaknesses or deficiencies in the operating effectiveness of internal control. The identified weaknesses or deficiencies are repeat findings as included in the OIG reports dated November 19, 2020, and September 16, 2021. DGS previously agreed (in FY 2020) with the OIG's recommendations to address these findings per Appendix C, but did not meet the intent of the recommendations.

Appendix A. Objectives, Scope, and Methodology

We conducted this performance audit from December 2021 to May 2022 in accordance with GAGAS standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this audit were to: (1) determine whether the assets, liabilities, fund balance, revenue, and expenditures of the Maintenance Fund were recorded and reported accurately; and (2) identify any Maintenance Fund expenditures that were not permitted under the law.

The audit covered the West End Library and Fire Station Maintenance Fund activities, for the period of October 1, 2020, to September 30, 2021. We met with District officials at DGS, OTR, and DCPL to obtain an understanding of the environment in which the Fund was managed. We reviewed internal controls within the DGS and OTR applicable to the Fund. We obtained copies of the accounting entries of the Fund. We analyzed them for conformity with accounting principles generally accepted in the United States and for the presentation of accounting results as required by the legislation creating the Fund. We also reviewed maintenance agreements, memoranda of agreements, invoices, deeds, and sales data. We verified the computation of the 85 percent of the deed transfer and recordation taxes attributable to the new buildings constructed on Lots 836, 837, and 855 in Square 37.

We assessed the validity and reliability of computer-processed data and performed limited existence and completeness tests to verify the accuracy of the data.

Appendix B. Acronyms and Abbreviations

D.C.	District of Columbia
DCPL	District of Columbia Public Library
DGS	Department of General Services
FEMS	Fire and Emergency Medical Services
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
MOA	Memorandum of Agreement
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OTR	Office of Tax and Revenue
PMA	Property Maintenance Agreement

Appendix C. Table of Recommendations

Responsible Agency	Finding	Recommendations	Potential Monetary Benefits	Agency Response
DGS	Budgets Were Not Approved by DGS as Required	3. Develop procedures to enforce the annual review and approval of the Maintenance Fund budget in accordance with D.C. Code § 1-325.181(a) and the PMAs for the West End Library and the Fire Station.	N/A	Agree-FY20
	Invoices for West End Library and the Fire Station Were Not Submitted, Reviewed, and Approved for Payments in a Timely Manner	4. Develop and implement policies and procedures to ensure vendor invoices are received, processed, and paid timely in accordance with the PMA for the West End Library and the Fire Station.	N/A	Agree-FY20
		5. Develop a plan to perform periodic and regular reconciliation of estimated and actual expenditures to ensure the Maintenance Fund excludes expenditures that are not permitted under the law.	N/A	Agree-FY20



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